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February 15, 1996

Building The Wireless Future™

CTIA

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Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

Ex Parte Contact: Reciprocal Termination - CC Docket Nos. 95-185, 94-54

Dear Mr. Caton:

On Thursday, February 15, 1996, Messrs. Brian Fontes, Senior Vice President for Policy and Administration, and Randall S. Coleman, Vice President for Regulatory Policy and Law, CTIA, met with John Nakahata and Ms. Jackie Chorney, Legal Advisors to Chairman Reed E. Hundt, regarding reciprocal termination. Mr. Nakahata and Ms. Chorney were provided with the attached document, demonstrating the rationale for reciprocal termination.

Pursuant to Section 1.1206 of the Commission's Rules, an original and one copy of this letter and the attachments are being filed with your office.

If there are any questions in this regard, please contact the undersigned.

Sincerely,

Robert F. Roche

Attachment

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Reciprocal Termination
Bringing Wireless Competition to the Local Telephone Service Market

What is Reciprocal Termination?

In a competitive local telephone service market. telephone calls often are transferred between service providers on the way to their final destination. Reciprocal termination is a financial and operational arrangement between competing providers of local telephone service where carriers complete or "terminate" calls originating on another carrier's network without charge to that carrier. These arrangements are reciprocal because all carriers agree to this termination-without-charge obligation.

Reciprocal termination is currently the practice used between all of the local telephone companies for terminating each other's wireline traffic. This is a fair. equitable. and time-honored billing practice for local telephone calls between neighboring incumbent landline local telephone service companies.

Wireless Carriers Are Not Allowed to Participate in These Arrangements.

Unfortunately, the practice of reciprocal termination does not currently apply to calls originating on wireless systems. Because local telephone companies charge wireless carriers for the termination of their calls, wireless carriers are currently operating at a cost disadvantage vis-à-vis the local telephone companies. Although recent studies by Professor Bridger Mitchell of Charles River Associates and Professor Gerald Brock of George Washington University found that the actual average cost to local telcos for completing these calls was only 0.2 cents per minute, those same companies charge an average of 3.0 cents per minute to complete calls originating on wireless systems.

Consumer Benefits of Reciprocal Termination.

Allowing wireless carriers to participate in reciprocal termination arrangements with local telephone companies will eliminate a transfer of nearly $1 billion per year from the wireless to landline local telephone service providers. Elimination of this unfair transfer will:

- Lower the monthly cost of wireless service by up to 10%,
- Add new competitors to the local telephone service market,
- Eliminate the single most formidable barrier to the deployment of new wireless networks, and
- Stimulate the deployment of new wireless services.

With this transfer eliminated. wireless carriers can. for the first time. compete on an equal footing with the local telephone companies. This fair competition between wireless and wireline companies in a local market will result in lower costs for wireless service and expanded competition and economic opportunities for all local telecommunications carriers.

The FCC Supports Reciprocal Termination for <u>All</u> Local Carriers.

In a Notice of Proposed Rulemaking released on January 11. 1996. the FCC argued that "Uneconomic and unnecessary barriers to the flow of communications between the increasing number of diverse networks would seriously undermine the benefits of telecommunications to consumers and the American economy and would impede the development of competition between network providers." To eliminate the barrier of unequal termination compensation, the FCC concluded that:

- All local telephone companies (landline and wireless) should use a reciprocal termination billing arrangements.

- Adoption of those arrangements is necessary to ensure the continued development of wireless services as a potential competitor to the incumbent landline local telephone service providers,

- The FCC should move expeditiously to adopt interim rules that will implement reciprocal termination procedures for interconnection between local landline and wireless carriers, and

- The FCC has the authority to adopt a reciprocal termination approach for local services.

Since the FCC has concluded that it has sufficient regulatory authority to require reciprocal termination arrangements between local telephone service providers, there is no need for Congressional action in this case. However, interested Members and staff should be aware of the Commission's plans to implement this new compensation procedure and of its significant benefits to consumers.